

**AMERICAN SYMPHONY ORCHESTRA LEAGUE
(D/B/A LEAGUE OF AMERICAN ORCHESTRAS)**



Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2019 and 2018

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

**AMERICAN SYMPHONY ORCHESTRA LEAGUE
(d/b/a LEAGUE OF AMERICAN ORCHESTRAS)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
American Symphony Orchestra League
(d/b/a League of American Orchestras)

We have audited the accompanying financial statements of American Symphony Orchestra League (d/b/a League of American Orchestras) (the "League") which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Symphony Orchestra League (d/b/a League of American Orchestras) as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2K to the financial statements, during the year ended June 30, 2019, the League adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.



New York, NY
February 13, 2020

AMERICAN SYMPHONY ORCHESTRA LEAGUE
(d/b/a LEAGUE OF AMERICAN ORCHESTRAS)
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents (Notes 2B, 4 and 11):		
Operating	\$ 39,871	\$ 56,481
Cash reserve	<u>1,618,909</u>	<u>1,166,575</u>
Total cash and cash equivalents	<u>1,658,780</u>	<u>1,223,056</u>
Accounts receivable (Notes 2G and 6)	122,495	104,659
Contributions and pledges receivable (Notes 2G and 7)	<u>3,535,868</u>	<u>2,450,533</u>
Investments		
Investments held for perpetually restricted endowment, at fair value (Notes 2D, 2I, 5 and 13)	3,561,131	3,561,131
Other investments, at fair value (Notes 2D, 2I and 5)	<u>1,368,953</u>	<u>1,461,727</u>
Total investments at fair value	<u>4,930,084</u>	<u>5,022,858</u>
Prepaid expenses and other assets	563,070	264,449
Property and equipment, net (Notes 2E and 8)	<u>124,387</u>	<u>64,716</u>
 TOTAL ASSETS	 <u>\$ 10,934,684</u>	 <u>\$ 9,130,271</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 233,178	\$ 340,686
Deferred revenue (Note 2F)	601,841	528,652
Deferred rent (Note 11)	<u>37,995</u>	<u>105,843</u>
 TOTAL LIABILITIES	 <u>873,014</u>	 <u>975,181</u>
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS (DEFICIT) (Note 2C)		
Without donor restrictions		
Board designated change capital fund (Note 4)	400,000	400,000
Board designated fund for cash reserve (Note 4)	500,000	500,000
Board designated fund for infrastructure (Note 4)	-	200,000
Working capital reserve (Note 4)	423,750	423,750
Available for operations (Note 4)	<u>(510,913)</u>	<u>(534,362)</u>
Total net assets without donor restrictions	812,837	989,388
With donor restrictions		
Purpose and time restriction (Note 9)	5,687,702	3,604,571
Perpetual in nature (Note 12)	<u>3,561,131</u>	<u>3,561,131</u>
Total net assets with donor restrictions	9,248,833	7,165,702
 TOTAL NET ASSETS	 <u>10,061,670</u>	 <u>8,155,090</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 10,934,684</u>	 <u>\$ 9,130,271</u>

AMERICAN SYMPHONY ORCHESTRA LEAGUE
(d/b/a LEAGUE OF AMERICAN ORCHESTRAS)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Without Donor Restrictions	With Donor Restrictions	Total 2018
SUPPORT AND REVENUE:						
Contributions and grants (Note 2G)	\$ 1,359,348	\$ 5,423,669	\$ 6,783,017	\$ 1,450,841	\$ 362,944	\$ 1,813,785
Membership dues (Note 2F)	1,999,434	-	1,999,434	1,994,957	-	1,994,957
Meetings and seminars (Note 2F)	903,692	-	903,692	904,205	-	904,205
Symphony magazine	148,330	-	148,330	157,275	-	157,275
Other income	14,363	-	14,363	15,113	-	15,113
Investment income, net (Notes 2D and 5)	43,870	249,880	293,750	77,591	348,276	425,867
Net assets released from restrictions (Notes 2C, 10 and 13)	3,590,418	(3,590,418)	-	2,716,990	(2,716,990)	-
TOTAL SUPPORT AND REVENUE	8,059,455	2,083,131	10,142,586	7,316,972	(2,005,770)	5,311,202
EXPENSES (Note 2H):						
Program services:						
Learning and leadership development	3,816,312	-	3,816,312	3,249,777	-	3,249,777
Research and development	308,722	-	308,722	303,308	-	303,308
Communications and public relations	989,150	-	989,150	969,847	-	969,847
Membership services	725,740	-	725,740	452,032	-	452,032
Advocacy	463,867	-	463,867	470,018	-	470,018
Total program services	6,303,791	-	6,303,791	5,444,982	-	5,444,982
Supporting services:						
Management and general	1,124,981	-	1,124,981	919,034	-	919,034
Development	807,234	-	807,234	732,104	-	732,104
Total supporting services	1,932,215	-	1,932,215	1,651,138	-	1,651,138
TOTAL EXPENSES	8,236,006	-	8,236,006	7,096,120	-	7,096,120
CHANGE IN NET ASSETS (Note 4)	(176,551)	2,083,131	1,906,580	220,852	(2,005,770)	(1,784,918)
Net assets - beginning of year	989,388	7,165,702	8,155,090	768,536	9,171,472	9,940,008
NET ASSETS - END OF YEAR	\$ 812,837	\$ 9,248,833	\$ 10,061,670	\$ 989,388	\$ 7,165,702	\$ 8,155,090

The accompanying notes are an integral part of these financial statements.

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AMERICAN SYMPHONY ORCHESTRA LEAGUE
(d/b/a LEAGUE OF AMERICAN ORCHESTRAS)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(With Comparative Totals for Year Ended June 30, 2018)

	Program Services					Supporting Services			Total 2019	TOTAL 2018	
	Learning and Leadership Development	Research and Development	Communications and Public Relations	Membership Services	Advocacy	Total Program Services	Management and General	Development			Total Supporting Services
Salaries	\$ 486,271	\$ 132,269	\$ 591,231	\$ 271,156	\$ 267,989	\$ 1,748,916	\$ 530,035	\$ 457,826	\$ 987,861	\$ 2,736,777	\$ 2,607,166
Payroll taxes and employee benefits (Note 9)	112,523	31,243	139,208	76,588	63,101	422,663	129,625	106,352	235,977	658,640	562,783
Total Salaries and Related Costs	598,794	163,512	730,439	347,744	331,090	2,171,579	659,660	564,178	1,223,838	3,395,417	3,169,949
Consultants	316,750	58,990	56,577	186,939	-	619,256	103,712	6,785	110,497	729,753	443,047
Professional services	-	-	-	-	-	-	97,361	-	97,361	97,361	72,417
Awards/professional development	2,147,105	-	-	-	-	2,147,105	1,000	-	1,000	2,148,105	1,626,250
Meeting expenses	293,103	103	1,653	959	3,096	298,914	34,585	49,933	84,518	383,432	389,778
Travel and lodging	179,413	84	4,733	7,501	18,459	210,190	27,062	11,328	38,390	248,580	159,082
Printing, production and copying	2,522	-	52,894	-	-	55,416	-	1,155	1,155	56,571	50,331
Postage and delivery	4,429	289	23,922	1,193	655	30,488	2,239	1,903	4,142	34,630	30,108
Supplies	5,805	50,198	14,254	1,188	49,074	120,519	6,594	10,521	17,115	137,634	149,002
Occupancy (Note 11)	190,900	27,359	76,435	61,699	50,178	406,571	80,488	98,061	178,549	585,120	592,596
Telecommunications	27,023	3,965	18,972	104,117	7,007	161,084	15,481	38,386	53,867	214,951	169,407
Equipment rental and repairs	23,566	1,087	3,984	4,056	2,102	34,795	3,040	4,154	7,194	41,989	41,780
Insurance	2,389	489	1,638	1,630	903	7,049	8,232	1,674	9,906	16,955	15,883
Staff training, recruitment and support	4,463	-	1,734	2,000	-	8,197	1,605	1,961	3,566	11,763	51,168
Bank charges and fees	13,950	-	-	-	-	13,950	58,553	-	58,553	72,503	63,686
Miscellaneous	3,776	-	92	-	100	3,968	2,446	4,292	6,738	10,706	12,630
Bad debt	-	-	-	-	-	-	12,783	-	12,783	12,783	19,189
Depreciation and amortization (Note 2E)	2,324	2,646	1,823	6,714	1,203	14,710	10,140	12,903	23,043	37,753	39,817
TOTAL EXPENSES	\$ 3,816,312	\$ 308,722	\$ 989,150	\$ 725,740	\$ 463,867	\$ 6,303,791	\$ 1,124,981	\$ 807,234	\$ 1,932,215	\$ 8,236,006	\$ 7,096,120

The accompanying notes are an integral part of these financial statements.

AMERICAN SYMPHONY ORCHESTRA LEAGUE
(d/b/a LEAGUE OF AMERICAN ORCHESTRAS)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services					Supporting Services			Total 2018	
	Learning and Leadership Development	Research and Development	Communications and Public Relations	Membership Services	Advocacy	Total Program Services	Management and General	Development		Total Supporting Services
Salaries	\$ 579,599	\$ 134,705	\$ 593,822	\$ 244,935	\$ 259,180	\$ 1,812,241	\$ 368,735	\$ 426,190	\$ 794,925	\$ 2,607,166
Payroll taxes and employee benefits (Note 9)	126,081	28,566	128,006	53,664	55,845	392,162	83,762	86,859	170,621	562,783
Total Salaries and Related Costs	705,680	163,271	721,828	298,599	315,025	2,204,403	452,497	513,049	965,546	3,169,949
Consultants	265,884	45,606	13,504	2,963	-	327,957	106,552	8,538	115,090	443,047
Professional services	-	-	-	-	-	-	72,417	-	72,417	72,417
Awards/professional development	1,626,250	-	-	-	-	1,626,250	-	-	-	1,626,250
Meeting expenses	323,478	947	2,162	5,251	3,327	335,165	23,388	31,225	54,613	389,778
Travel and lodging	102,647	312	6,116	14,530	16,711	140,316	10,928	7,838	18,766	159,082
Printing, production and copying	1,392	-	48,011	-	39	49,442	-	889	889	50,331
Postage and delivery	2,304	331	22,155	1,159	1,164	27,113	1,368	1,627	2,995	30,108
Supplies	17,451	52,383	14,458	2,102	46,936	133,330	7,834	7,838	15,672	149,002
Occupancy (Note 11)	131,651	32,210	113,552	58,467	69,877	405,757	90,854	95,985	186,839	592,596
Telecommunications	28,169	4,198	19,814	57,220	10,296	119,697	8,395	41,315	49,710	169,407
Equipment rental and repairs	23,555	1,184	4,170	3,284	2,718	34,911	3,257	3,612	6,869	41,780
Insurance	1,765	466	1,761	1,394	1,089	6,475	7,880	1,528	9,408	15,883
Staff training, recruitment and support	1,894	-	871	-	-	2,765	47,701	702	48,403	51,168
Bank charges and fees	12,863	-	-	-	80	12,943	50,743	-	50,743	63,686
Miscellaneous	2,390	24	82	-	1,216	3,712	3,534	5,384	8,918	12,630
Bad debt	-	-	-	-	-	-	19,189	-	19,189	19,189
Depreciation and amortization (Note 2E)	2,404	2,376	1,363	7,063	1,540	14,746	12,497	12,574	25,071	39,817
TOTAL EXPENSES	\$ 3,249,777	\$ 303,308	\$ 969,847	\$ 452,032	\$ 470,018	\$ 5,444,982	\$ 919,034	\$ 732,104	\$ 1,651,138	\$ 7,096,120

The accompanying notes are an integral part of these financial statements.

AMERICAN SYMPHONY ORCHESTRA LEAGUE
(d/b/a LEAGUE OF AMERICAN ORCHESTRAS)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,906,580	\$ (1,784,918)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	37,753	39,817
Write off of uncollectible receivables	12,783	19,189
Discount on contributions and pledges receivable	22,265	(19,058)
Net realized/unrealized gain on investments	(201,558)	(355,496)
Subtotal	1,777,823	(2,100,466)
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Accounts receivable	(30,619)	5,183
Contributions and pledges receivable	(1,107,600)	1,905,442
Prepaid expenses and other assets	(298,621)	(50,287)
(Decrease) or increase in liabilities:		
Accounts payable and accrued expenses	(107,508)	145,294
Deferred revenue	73,189	(26,489)
Deferred rent	(67,848)	(51,792)
Net Cash Provided by (Used in) Operating Activities	238,816	(173,115)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(97,424)	(19,707)
Proceeds from sales of investments	385,000	185,000
Purchases of investments	(90,668)	(70,464)
Net Cash Provided by Investing Activities	196,908	94,829
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	435,724	(78,286)
Cash and cash equivalents - beginning of year	1,223,056	1,301,342
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,658,780	\$ 1,223,056

AMERICAN SYMPHONY ORCHESTRA LEAGUE
(d/b/a LEAGUE OF AMERICAN ORCHESTRAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

American Symphony Orchestra League (d/b/a League of American Orchestras) (the “League”) was founded in 1942 and chartered by Congress in 1962. One of the nation’s largest performing arts service organizations, the League comprises approximately 700 member symphony, chamber, youth and collegiate orchestras of all sizes, and links a national network of thousands of instrumentalists, conductors, managers, board members, volunteers, staff members and business partners.

The League supplies guidance and support to the orchestra field through: collection and dissemination of critical information and knowledge across multiple channels, including a national conference and award-winning magazine; nationally recognized learning and leadership development programs; dedicated advocacy and strategic communications activities; targeted research and development projects; and leadership around collective action.

Examples of recent and current League initiatives include: programs and materials on financial management in tough economic times and problem-solving for emerging administrative leaders; an online career center; the field’s first review and analysis of audience demographic trends; assistance in obtaining visas for foreign guest artists; a study of innovation in orchestras; and a national orchestra food drive.

The League is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and from state and local taxes under comparable laws.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ***Basis of Accounting*** – The League’s financial statements have been prepared on the accrual basis of accounting. The League adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. ***Cash and Cash Equivalents*** – All highly liquid instruments with a maturity of three months or less when acquired are considered to be cash equivalents.
- C. ***Basis of Presentation*** – The League maintains its net assets under the following two classes:
- Without donor restrictions – includes the net assets that are not restricted by donor-imposed stipulations.
 - With donor restrictions – includes net assets subject to donor-imposed restrictions. Some resources are received with donor stipulations that limit the use of the donated assets or place time restrictions on the resources. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Other resources received with donor stipulations have been designated by the donor to be held and invested in perpetuity. The income and net capital appreciation from these restricted assets are available for restricted purposes, in accordance with donor intent.
- D. ***Investments*** – Investments are carried at fair value as explained in Note 5 and include cash to be reinvested. Unrealized gains and losses are included in the accompanying statements of activities. Donated securities are recorded at their fair value, as determined using quoted market prices at the date of donation, and are sold immediately upon receipt by the League. Dividend and interest income are recorded as earned. Net investment earnings on the endowment funds are recorded as net assets with donor restrictions until appropriated by the board.

AMERICAN SYMPHONY ORCHESTRA LEAGUE
(d/b/a LEAGUE OF AMERICAN ORCHESTRAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- E. ***Property and Equipment*** – Property and equipment are recorded at cost less accumulated depreciation and amortization. The League capitalizes furniture and fixtures with a cost of \$500 or more, equipment with a cost of \$750 or more and all other property and equipment with a cost of \$2,500 or more and a useful life of greater than one year. Amortization of leasehold improvements is provided using the straight-line method, applied over the lesser of the estimated useful lives of the improvements or the remaining term of the lease.
- F. ***Revenue and Deferred Revenue*** – The League recognizes membership dues from its orchestra members as revenue during the period to which the membership relates. Revenue generated from meetings and seminars is recognized at the time the meeting or seminar takes place. Any amounts received in advance are recorded as deferred revenue.
- G. ***Contributions and Pledges Receivable*** – Contributions and pledges are recognized when the donor makes an unconditional promise to give. All contributions are considered to be available for general use unless specifically restricted by the donor. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved. As of June 30, 2019 and 2018, the League determined that no allowance is needed for uncollectible contributions and pledges and other receivables. Such estimate is based on management’s evaluation of the creditworthiness of the donors, the aged basis of its receivables, as well as current economic conditions and historical information.
- H. ***Functional Allocation of Expenses*** – The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Certain costs have been allocated among the programs and supporting services benefited. These expenses are allocated on the basis of time and effort on various projects from each staff member’s timesheets for the month. The expenses allocated include salaries and wages, fringe benefits, occupancy, office supplies, postage, telecommunications, equipment rental, and insurance.
- I. ***Fair Value Measurements*** – Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as reported in Note 5.
- J. ***Use of Estimates*** – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.
- K. ***Recent Accounting Pronouncement*** – Effective for the year ended June 30, 2019, The League adopted the guidance issued by the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets and enhanced disclosure on liquid resources and expense allocation. The changes were adopted retrospectively and had no impact on the change in net assets for the year ended June 30, 2018. Net assets as of June 30, 2018 were reclassified to conform to the new presentation.

**AMERICAN SYMPHONY ORCHESTRA LEAGUE
(d/b/a LEAGUE OF AMERICAN ORCHESTRAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

As of June 30, 2019, the financial assets available to meet general expenditures over the next 12 months were as follows:

Cash and cash equivalents	\$	1,658,780
Accounts receivable		122,495
Promises to give		3,535,868
Investments at fair value		<u>1,368,953</u>
Total		6,686,096
Less: Purpose and time restricted net assets including accounts receivable due in more than a year		<u>(5,687,702)</u>
Total financial assets available	\$	<u>998,394</u>

Cash and cash equivalents consist of funds held in the League's checking and savings accounts held with JP Morgan Chase. The savings account includes both board and non-board designated funds which provide liquidity for short-term operating cash flow. Accounts receivable consist of membership dues, registration fees, and advertising. Promises to give are open pledges receivable with and without donor restrictions. Operating investments include the board designated Change Capital fund which allows the League to invest in board approved change initiatives. It is invested 40% in equities and 60% in fixed income. Operating investments also consist of excess earnings from the League's General endowment. Earnings are recorded into operations each year. In addition to financial assets available to meet general expenditures over the next 12 months, the League expects and anticipates collecting sufficient revenue to cover general expenditures. As further described in Note 10C, the League has a line of credit for \$1,000,000 that can be used to support its operations as needed.

NOTE 4 – RESERVE FUNDS

	Reserve Full Value	6/30/2018 Balance	Additions	Withdrawal	6/30/2019 Balance
Board-designated Change Capital Fund	\$ 400,000	\$ 400,000	\$ -	\$ -	\$ 400,000
Board-designated Cash Reserve Fund	500,000	500,000	-	-	500,000
Board-designated Infrastructure Fund	200,000	200,000	-	(200,000)	-
Working Capital Reserve	423,750	<u>423,750</u>	-	-	<u>423,750</u>
Working Capital Reserve Total		<u>\$ 1,523,750</u>	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ 1,323,750</u>

	Reserve Full Value	6/30/2017 Balance	Additions	Withdrawal	6/30/2018 Balance
Board-designated Change Capital Fund	\$ 400,000	\$ 400,000	\$ -	\$ -	\$ 400,000
Board-designated Cash Reserve Fund	500,000	500,000	-	-	500,000
Board-designated Infrastructure Fund	200,000	-	200,000	-	200,000
Working Capital Reserve	423,750	<u>423,750</u>	-	-	<u>423,750</u>
Total		<u>\$ 1,323,750</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 1,523,750</u>

The Board-designated Change Capital Fund is a revolving fund designed to allow the League to invest prudently in change initiatives intended to enhance services to members and/or strengthen the organization's sustainability. Any draw taken on the corpus of the fund must be replaced within 60 months. The use of dividends, interest and realized and/or unrealized gains generated by the fund are at the discretion to the Board. The funds associated with the Change Capital Fund are invested with Common Fund and Wells Fargo

The Board-Designated Cash Reserve Fund is a revolving fund established to level out operating cash flow throughout the course of the fiscal year. The fund must hold its full value for no less than 30 (thirty) consecutive days during the course of each fiscal year.

**AMERICAN SYMPHONY ORCHESTRA LEAGUE
(d/b/a LEAGUE OF AMERICAN ORCHESTRAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 4 – RESERVE FUNDS (Continued)

In fiscal year 2018, the League's Board of Directors authorized a comprehensive infrastructure project to implement portions of the League's previously adopted strategic plan. The project requires expenditures over three years of approximately \$2 million for technology improvements and a relocation of its headquarters. The cost of the project is funded through utilization of excess cash generated by League operations, investments, board designated funds, and a fundraising campaign. At the end of fiscal year 2018, the League's Board approved a transfer of \$200,000 from the surplus in operations to establish a Board Designated Fund for Infrastructure. The entire balance of this fund was utilized in fiscal year 2019. Below are the changes related to the Board-Designated Infrastructure Fund for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Change in net assets without donor restriction	(176,553)	\$ 220,852
Board designation for Infrastructure Fund	<u>-</u>	<u>(200,000)</u>
Use of Board-Designated Fund	<u>200,000</u>	<u>-</u>
Change in net assets available after utilization of board-designated fund	<u>\$ 23,447</u>	<u>\$ 20,852</u>

The Working Capital Reserve was established through a grant made initially in 2006 and increased in subsequent years to create a working capital reserve intended to provide liquidity for short-term operating cash flow requirements throughout the course of the fiscal year. As required under the agreement, the fund has been fully replenished to its full value by September 30th.

As of June 30, 2019 and 2018, there was a balance of \$923,750 and \$1,123,750 respectively, in the Cash Reserve Fund, representing holdings of the board designated infrastructure fund, board designated cash reserve fund, and working capital reserve.

NOTE 5 – INVESTMENTS & FAIR VALUE MEASUREMENTS

Investments consist of the following for the year ended June 30:

	<u>2019</u>	<u>2018</u>
CommonFund Multi-Strategy Equity Fund	\$ 2,894,684	\$ 3,131,498
Corporate bonds	1,785,596	1,500,777
Mutual funds	<u>248,173</u>	<u>280,007</u>
Investments other than cash and cash equivalents	4,928,453	4,912,282
Cash and cash equivalents	<u>1,631</u>	<u>110,576</u>
Total Investments	<u>\$ 4,930,084</u>	<u>\$ 5,022,858</u>

Certain investments are subject to market volatility that could substantially change their carrying value in the near term.

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NOTE 5 – INVESTMENTS & FAIR VALUE MEASUREMENTS (Continued)

Investment income consists of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 102,256	\$ 83,937
Interest on cash and cash equivalents	1,988	762
Net realized/unrealized gain on investments	<u>201,558</u>	<u>355,496</u>
	305,802	440,195
Less investment fees	<u>(12,052)</u>	<u>(14,328)</u>
Total investment income	<u>\$ 293,750</u>	<u>\$ 425,867</u>

The fair value hierarchy defines three levels as follows:

- Level 1 - Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are also obtained from third-party pricing services for similar assets or liabilities.
- Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models or similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining fair value, the League utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended June 30, 2019 and 2018, there were no transfers.

CommonFund investment programs are designed to generate superior long-term investment performance. The fund permits monthly redemptions with a prior five day notice prior to month's end. There are no unfunded commitments.

Financial assets carried at fair value at June 30, 2019, are classified in the table as follows:

	<u>Level 2</u>
Corporate bonds	\$ 1,785,596
Mutual funds	<u>248,173</u>
	2,033,769
CommonFund multi-strategy fund measured using net asset value as a practical expedient	<u>2,894,684</u>
Total investments at fair value	4,928,453
Cash and cash equivalents	<u>1,631</u>
Total Investments	<u>\$ 4,930,084</u>

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NOTE 5 – INVESTMENTS & FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value at June 30, 2018, are classified in the table as follows:

	Level 2
Corporate bonds	\$ 1,500,777
Mutual funds	280,007
	1,780,784
CommonFund multi-strategy fund measured using net asset value as a practical expedient	3,131,498
Total investments at fair value	4,912,282
Cash and cash equivalents	110,576
Total Investments	\$ 5,022,858

NOTE 6 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30:

	2019	2018
Membership dues	\$ 46,944	\$ 58,554
Symphony magazine advertising	8,959	18,473
Other	66,592	27,632
Total accounts receivable	\$ 122,495	\$ 104,659

NOTE 7 – CONTRIBUTIONS AND PLEDGES RECEIVABLE

Contributions and pledges receivable consist of the following as of June 30:

	2019	2018
Contributions and pledges receivable:		
Due within 1 year	\$ 2,065,327	\$ 2,202,544
Due within 1 to 5 years	1,497,317	252,500
	3,562,644	2,455,044
Present value discount (at rates ranging from 1.75%-5.0%)	(26,776)	(4,511)
Total contributions and pledges receivable	\$ 3,535,868	\$ 2,450,533

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30:

	2019	2018	Estimated Useful Lives
Leasehold improvements	\$ 934,423	\$ 904,923	2-4 years
Furniture and fixtures	221,819	216,737	7-10 years
Computer hardware and software	1,357,947	1,295,105	5 years
Total cost	2,514,189	2,416,765	
Less: accumulated depreciation and amortization	(2,389,802)	(2,352,049)	
Net book value	\$ 124,387	\$ 64,716	

Depreciation and amortization expense amounted to \$37,753 and \$39,817 for the years ended June 30, 2019 and 2018, respectively.

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NOTE 9 – RETIREMENT PLANS

The League has a defined contribution plan, which is qualified under Section 403(b) of the U.S. Internal Revenue Code. During the year ended June 30, 2019, the League made a discretionary contribution of approximately \$54,000. There was no contribution for the year ended June 30, 2018.

In fiscal year 2007, the League established a Section 457(b) deferred compensation plan for its key employees. Under the terms of the plan, such eligible employees may contribute amounts through a salary-reduction agreement. The League does not contribute to this plan.

NOTE 10 – PURPOSE AND TIME RESTRICTED NET ASSETS

Net assets with donor restrictions as of June 30, 2019 and 2018, are available for the following purposes, which may also contain time restrictions:

	<u>2019</u>	<u>2018</u>
Leadership Program	\$ 851,185	\$ 786,305
Technology Initiatives	4,415	12,683
Board Governance	-	35
Other Research and Development/Learning and Leadership Development Programs	423,836	289,954
Infrastructure	335,000	-
Getty Future's Innovation Fund	1,820,000	1,990,000
Time restricted	<u>2,253,266</u>	<u>525,594</u>
Total net assets with donor restrictions	<u>\$ 5,687,702</u>	<u>\$ 3,604,571</u>

During the years ended June 30, 2019 and 2018, the League released net assets with donor restrictions by incurring program expenses or the passage of time, as follows:

	<u>2019</u>	<u>2018</u>
Board Governance	\$ 35	\$ -
Leadership Program	185,000	185,000
Technology Initiatives	8,269	6,590
Other Research and Development/Learning and Leadership Development Programs	352,052	355,400
Infrastructure	100,000	-
Getty Future's Innovation Fund	1,695,000	1,760,000
Time restricted	<u>1,250,062</u>	<u>410,000</u>
Total net assets released from restrictions	<u>\$ 3,590,418</u>	<u>\$ 2,716,990</u>

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. During fiscal-year 1999, the League entered into a ten-year lease for office facilities in New York City. The lease provided for scheduled rent increases and escalations over the lease term and a free-rent allowance for the first six months. The League renewed this lease in June of 2008 for the ten years beginning January 1, 2010. This lease extension provided for scheduled rent increases and escalations over the lease term and a free-rent allowance for the first month. During fiscal-year 2019, the League entered into a new ten-year lease for office facilities in New York City. The lease provides for scheduled rent increases and escalations over the lease term and a free-rent allowance for the first four months. The effects of these scheduled rent increases and free-rent allowances are being recognized by the League on a straight-line basis over the term of the lease. Such amounts are reported as deferred rent in the accompanying statements of financial position. The League is also obligated under operating leases for office equipment.

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NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

Future minimum rental commitments under these leases for the years ending subsequent to June 30, 2019 are approximately as follows:

2020	\$ 619,000
2021	381,000
2022	388,000
2023	394,000
2024	404,000
Thereafter	<u>2,868,000</u>
Total	\$ <u>5,054,000</u>

Rent expense for the years ended June 30, 2019 and 2018, amounted to approximately \$551,000 and \$560,000, respectively.

- B. On June 29, 2017, the League obtained a \$1,000,000 line of credit with a maturity date of February 15, 2021. Under the terms of the agreement, interest is payable monthly at a rate equal to the London InterBank Offered Rate plus 3.000 percentage points and any indebtedness is secured by all assets of the League. As of June 30, 2019, there was no outstanding balance under this agreement. As of February 13, 2020, there was no outstanding balance.

NOTE 12 – CONCENTRATIONS

Financial instruments that potentially subject the League to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Cash accounts are insured up to \$250,000 per depositor. As of June 30, 2019 and 2018, there were approximately \$2,478,000 and \$1,342,000, respectively, of cash held by banks that exceeded FDIC limits. Such amounts include outstanding checks.

NOTE 13 – ENDOWMENT NET ASSETS

U.S. GAAP provides guidance on the net asset classifications of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). The guidance requires disclosure about an organization’s endowment funds, whether or not the organization is subject to UPMIFA.

The League’s Board of Directors has determined that as a federally chartered institution operating in the State of New York, the League is not generally subject to the not-for profit law of any state. Inasmuch as nearly all of the states, including New York, have enacted a version of UPMIFA, the League has implemented the general disclosure guidance of U.S. GAAP as it relates to endowment net assets. In accordance with U.S. GAAP, organizations are required to disclose any deterioration of the fair value of assets associated with donor restricted endowment funds that fall below the level, if any; the donor requires the organization to retain. Such deterioration may occur for a variety of reasons, including unfavorable market fluctuations. There were no deficiencies as of June 30, 2019 and 2018.

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NOTE 13 – ENDOWMENT NET ASSETS (Continued)

The League's endowment investment policy is to invest assets into investment instruments approved by the Finance Committee of the Board of Directors with the allocation of funds based upon specified target percentages (or range of target percentages) for each type of investment instrument. The overall investment objective is to maximize the total return from income (dividends and interest) and the appreciation of investments commensurate with moderate risk across various asset classes. Any income on the League's endowment funds and any increase in value over the historical dollar value at the time of the donation are generally utilized within the year earned for the program purposes. Unless authorized by the Board of Directors or the Finance Committee in compliance with the terms of the relevant contribution, the appropriations from the endowment funds do not deplete the value of any perpetually restricted endowment funds below historical dollar value at the time of donation.

Changes in endowment net assets for the year ended June 30, 2019, are as follows:

	<u>Purpose and Time Restricted</u>	<u>Perpetual In Nature</u>	<u>Total</u>
Investment activity:			
Interest and dividends	\$ 85,454	\$ -	\$ 85,454
Net realized/unrealized gain	<u>164,426</u>	<u>-</u>	<u>164,426</u>
Total investment activity	249,880	-	249,880
Appropriations	<u>(185,000)</u>	<u>-</u>	<u>(185,000)</u>
Change in endowment net assets	64,880	-	64,880
Endowment net assets, beginning of year	<u>786,305</u>	<u>3,561,131</u>	<u>4,347,436</u>
Endowment net assets, end of year	<u>\$ 851,185</u>	<u>\$ 3,561,131</u>	<u>\$ 4,412,316</u>

Changes in endowment net assets for the year ended June 30, 2018, are as follows:

	<u>Purpose and Time Restricted</u>	<u>Perpetual In Nature</u>	<u>Total</u>
Investment activity:			
Interest and dividends	\$ 69,158	\$ -	\$ 69,158
Net realized/unrealized loss	<u>279,118</u>	<u>-</u>	<u>279,118</u>
Total investment activity	348,276	-	348,276
Appropriations	<u>(341,847)</u>	<u>-</u>	<u>(341,847)</u>
Change in endowment net assets	6,429	-	6,429
Endowment net assets, beginning of period	<u>779,876</u>	<u>3,561,131</u>	<u>4,341,007</u>
Endowment net assets, end of period	<u>\$ 786,305</u>	<u>\$ 3,561,131</u>	<u>\$ 4,347,436</u>

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NOTE 14 – UNCERTAIN TAX POSITIONS

The League believes it has no uncertain tax positions as of June 30, 2019 and 2018, in accordance with Accounting Standards Codification (“ASC”) Topic 740 “Income Taxes”, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 15 – SUBSEQUENT EVENTS

The League has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through February 13, 2020, the date the financial statements were available to be issued.